

STATE OF WISCONSIN
DEPARTMENT OF HEALTH AND FAMILY SERVICES
DIVISION OF MANAGEMENT & TECHNOLOGY
BUREAU OF FISCAL SERVICES

ACCOUNTING PROCEDURE

TOPIC: Section 13--Tax 4.0	EFFECTIVE DATE: 4/10/87
TITLE: IRS 1099 Reporting	REVISION DATE: 11/11/97
AUTHORIZED BY: Cheryl Thompson, Deputy Director	PAGE 1 OF 6

BACKGROUND

The Department of Health and Family Services (DHFS), in accordance with Federal Internal Revenue Service (IRS) regulations, is required to report certain payments in excess of \$600 per calendar year. A \$50 penalty will be imposed on DHFS for each failure to report the recipient's correct taxpayer identifications number (TIN) on an IRS 1099-MISC Form. Reportable payments (such as rents, medical or health care services, non-employee services, etc.) have been recorded by placing a specified code in the "1099 Code Field" on the detail line of the Invoice/Credit Memo Document (DMT-138). Non-reportable payments (such as rents to real estate agents, non-medical corporate services, government agencies, payments for merchandise) did not need to be coded as "1099 Reportable."

POLICY

Effective for CY 1997, the WiSMART system will accumulate data from the Substitute W-9 form and the payment voucher to generate the totals for the IRS 1099-MISC annual reporting. Therefore, it will no longer be necessary to code this information on the Invoice/Credit memo document (DMT-138). The DDB and CARS subsystems will still need to be maintained for 1099-MISC information reporting.

PROCEDURE

1. A Substitute W-9, DMT-9013 (Attachment 1), Taxpayer Identification Number (TIN) Verification Form is required from all vendors. A Federal W-9 Form (Attachment 2) will be accepted if sufficient information is provided for the Bureau of Fiscal Services to add the vendor to the WiSMART vendor table. (Refer to Section 6 - Purchasing 2.0 - Vendor Procedure.) The Substitute W-9 Form is submitted to the Vendor Validation Coordinator for set-up in both the FMS and WiSMART accounting systems.

2. The 1099 reportable status will be determined by the vendor's **"Designation"** status on the Substitute W-9 form and the **"Account Class Code"** on the payment voucher. Based on the information reported in these two fields, the WiSMART system will accumulate the necessary data to meet the IRS 1099 information reporting requirements.

Refer to the table below for some examples of how the 1099 reportable status is determined. For example, if a vendor reports its "Designation" as a "Corporation" and the vendor's invoice is for Medical Services, the voucher would be coded to account class 27260. Based on account class of 27260 and the vendor's designation as a corporation, this payment would be accumulated by the WiSMART System for 1099 reporting. If the same vendor provided professional services (account class 27400), the payment would not be accumulated. (Please note: the account classes and the designation types listed below are examples, they are not all inclusive.)

1099 REPORTING SAMPLES

ACCOUNT CLASS DESCRIPTION		DESIGNATION TYPES			
		CORPOR- ATIONS	INDI- VIDUALS	SOLE PRO- PRIETORS	PARTNER- SHIPS
23200	RENTS (Office Space)	NO	YES	YES	YES
27400	PROFESSIONAL SERVICES	NO	YES	YES	YES
27447	HONORARIUMS/WITNESS FEES	NO	YES	YES	YES
27550	LEGAL SERVICES	NO	YES	YES	YES
27260	MEDICAL SERVICES	YES	YES	YES	YES
37420	EYE EXAMS-SAFETY GLASSES	YES	YES	YES	YES
33000	MISC SERVICES (NON-MEDICAL)	NO	YES	YES	YES

Generally, non-reportable payment types are payments made to vendors that are designated corporations that do not provide medical services, payments made to government entities, payments for merchandise, or payments of rent to real estate agents. All other vendor type payments would be reportable. As illustrated above, different types of payments made to different types of vendors have different requirements to report. The IRS revises their reporting requirements annually. The WiSMART 1099 Reporting System will enable us to keep abreast of IRS revisions through annual updates to account class codes.

ATTACHMENTS

1. Substitute W-9 Form
2. Federal W-9 Form

REFERENCE

Purchasing 2.0 (New Vendor Procedure)

CONTACT

Sally A. Acuff, Chief
Special Services and Financial Statements
(608) 266-9576

ATTACHMENT 1



STATE OF WISCONSIN
Department of Health & Family Services
Do NOT send to IRS

Substitute **W-9**
DMT - 9013 (1/97)

**TAXPAYER IDENTIFICATION NUMBER (TIN)
VERIFICATION**

PRINT OR TYPE Complete instructions can be found on reverse side of this form. This form can be made available in alternative formats to qualified individuals upon request.

<div>LEGAL NAME (As entered with IRS) If Sole Proprietorship enter your LAST, FIRST, MI</div> <div>TRADE NAME If doing business as (D/B/A) or business name of Sole Proprietorship</div> <div>PRIMARY ADDRESS (For return of 1099 Form) PO or number and street City, State, Zip + 4</div> <div>ORDER ADDRESS (Where order should be sent if different than above) PO or number and street City, State, Zip + 4</div> <div>REMIT ADDRESS (Where check should be sent if different than above) PO or number and street City, State, Zip + 4</div>	<div>ENTITY DESIGNATION (Check One) : <input type="checkbox"/> CORPORATION (Includes Service Corporations) Are you engaged in the business of providing medical services? <div style="display: flex; justify-content: space-around;"><input type="checkbox"/> Yes <input type="checkbox"/> No</div></div> <div><input type="checkbox"/> INDIVIDUAL</div> <div><input type="checkbox"/> SOLE PROPRIETORSHIP</div> <div><input type="checkbox"/> LIMITED LIABILITY COMPANY</div> <div><input type="checkbox"/> GOVERNMENT ENTITY</div> <div><input type="checkbox"/> HOSPITAL EXEMPT FROM TAX OR GOVERNMENT-OWNED</div> <div><input type="checkbox"/> LONG-TERM CARE FACILITY EXEMPT FROM TAX OR GOVERNMENT-OWNED</div> <div><input type="checkbox"/> ALL OTHER ENTITIES</div>
<div>TAXPAYER IDENTIFICATION NUMBER (TIN) (Please fill in the blanks & include hyphens) (If you are a sole proprietor and you have an EIN you may enter either your SSN or EIN. However, using your EIN may result in unnecessary notices to the requester.) _____ (Check One Only) <input type="checkbox"/> Social Security Number (SSN) <input type="checkbox"/> Employer Identification Number (EIN) <input type="checkbox"/> Individual Taxpayer Identification Number for US Resident Aliens (ITIN)</div> <div>CERTIFICATION Under penalties of perjury, I certify that: 1. The number shown on this form is my correct taxpayer identification number, and 2. I am not subject to backup withholding because: a) I am exempt from backholding, or (b) I have not been notified by the Internal Revenue Service (IRS) that I am subject to backup withholding as a result of a failure to report all interest or dividends, or (c) IRS has notified me that I am no longer subject to backup withholding. Signature _____ Date _____ Title _____ Phone (____) _____ <p align="center">Please Print</p></div>	<div>FOR AGENCY USE ONLY Agency No. 435 Contact: Vendor Validation Coordinator Phone Number (608) 266-1768 <div style="display: flex; justify-content: space-between;"><div>1099 <input type="checkbox"/> Yes <input type="checkbox"/> No</div><div>VEND <input type="checkbox"/> Addition <input type="checkbox"/> Change</div></div></div>

Return this form to the address listed below:

State of Wisconsin
Dept of Health and Family Services

INSTRUCTIONS FOR COMPLETING THIS FORM

Legal Name As entered with IRS

Individuals: Enter Last Name, First Name, MI

Sole Proprietorships: Enter Last Name, First Name, MI

All Others: Enter Legal Name of Business

Trade Name

Individuals: Leave Blank

Sole Proprietorships: Enter Business Name

All Others: Complete only if doing Business as a D/B/A

Order Address

Address where order should be sent if different from primary address

Remit Address

Address where payment should be sent if different from primary address

Entity Designation

Check ONE box which describes you as an individual, or your type of business entity.

Taxpayer Identification Number (TIN)

LIST ONLY ONE: Social Security Number OR Employer Identification Number
OR Individual Taxpayer Identification Number for U.S. Resident Aliens (ITIN)

If you do not have a TIN, apply for one immediately. Individuals use federal form SS-05 which can be obtained from the Social Security Administration. Businesses and all other entities use federal form SS-4 which can be obtained from the Internal Revenue Service.

Certification

The person signing this document should be a partner in the partnership, an officer of the corporation, or the individual or sole proprietor listed under legal name.

Penalties

If you fail to furnish your correct Taxpayer Identification Number (TIN) to a requester, you are subject to a penalty of \$50 for each such failure unless your failure is due to reasonable cause and not to willful neglect.

If you make a false statement with no reasonable basis that results in no backup withholding, you are subject to a \$500 penalty.

Willfully falsifying certifications or affirmations may subject you to criminal penalties including fines and/or imprisonment.

If the requester discloses or uses TINs in violation of Federal law, the requester may be subject to civil and criminal penalties.

Privacy Act Notice

Section 6109 requires you to furnish your correct TIN to persons who must file information returns with the IRS to report interest, dividends, and certain other income paid to you, mortgage interest you paid, the acquisition or abandonment of secured property, or contributions you made to an IRA. The IRS uses the numbers for identification purposes and to help verify the accuracy of your tax return. You must provide your TIN whether or not you are required to file a tax return. Payers must generally withhold 31% of taxable interest, dividend, and certain other payments to a payee who does not furnish a TIN to a payer. Certain penalties may also apply.

ATTACHMENT 2

Form **W-9**
(Rev. December 1996)
Department of the Treasury
Internal Revenue Service

Request for Taxpayer Identification Number and Certification

Give form to the
requester. Do NOT
send to the IRS.

Please print or type

Name (If a joint account or you changed your name, see **Specific Instructions** on page 2.)

Business name, if different from above. (See **Specific Instructions** on page 2.)

Check appropriate box: ☐ Individual/Sole proprietor ☐ Corporation ☐ Partnership ☐ Other ▶

Address (number, street, and apt. or suite no.)

City, state, and ZIP code

Requester's name and address (optional)

Part I Taxpayer Identification Number (TIN)

Enter your TIN in the appropriate box. For individuals, this is your social security number (SSN). However, if you are a resident alien OR a sole proprietor, see the instructions on page 2. For other entities, it is your employer identification number (EIN). If you do not have a number, see **How To Get a TIN** on page 2.

Note: If the account is in more than one name, see the chart on page 2 for guidelines on whose number to enter.

Social security number

| | | + | | | |

OR

Employer identification number

| | + | | | | |

List account number(s) here (optional)

Part II For Payees Exempt From Backup Withholding (See the instructions on page 2.)

Part III Certification

Under penalties of perjury, I certify that:

- The number shown on this form is my correct taxpayer identification number (or I am waiting for a number to be issued to me), and
- I am not subject to backup withholding because: (a) I am exempt from backup withholding, or (b) I have not been notified by the Internal Revenue Service (IRS) that I am subject to backup withholding as a result of a failure to report all interest or dividends, or (c) the IRS has notified me that I am no longer subject to backup withholding.

Certification Instructions.—You must cross out item 2 above if you have been notified by the IRS that you are currently subject to backup withholding because you have failed to report all interest and dividends on your tax return. For real estate transactions, item 2 does not apply. For mortgage interest paid, acquisition or abandonment of secured property, cancellation of debt, contributions to an individual retirement arrangement (IRA), and generally, payments other than interest and dividends, you are not required to sign the Certification, but you must provide your correct TIN. (See the instructions on page 2.)

Sign
Here

Signature ▶

Date ▶

Purpose of Form.—A person who is required to file an information return with the IRS must get your correct taxpayer identification number (TIN) to report, for example, income paid to you, real estate transactions, mortgage interest you paid, acquisition or abandonment of secured property, cancellation of debt, or contributions you made to an IRA.

Use Form W-9 to give your correct TIN to the person requesting it (the requester) and, when applicable, to:

- Certify the TIN you are giving is correct (or you are waiting for a number to be issued),
- Certify you are not subject to backup withholding, or
- Claim exemption from backup withholding if you are an exempt payee.

Note: If a requester gives you a form other than a W-9 to request your TIN, you must use the requester's form if it is substantially similar to this Form W-9.

What Is Backup Withholding?—Persons making certain payments to you must withhold and pay to the IRS 31% of such payments under certain conditions. This is called "backup withholding." Payments that may be subject to backup withholding

include interest, dividends, broker and barter exchange transactions, rents, royalties, nonemployee pay, and certain payments from fishing boat operators. Real estate transactions are not subject to backup withholding.

If you give the requester your correct TIN, make the proper certifications, and report all your taxable interest and dividends on your tax return, payments you receive will not be subject to backup withholding. Payments you receive will be subject to backup withholding if:

- You do not furnish your TIN to the requester, or
- The IRS tells the requester that you furnished an incorrect TIN, or
- The IRS tells you that you are subject to backup withholding because you did not report all your interest and dividends on your tax return (for reportable interest and dividends only), or
- You do not certify to the requester that you are not subject to backup withholding under 3 above (for reportable interest and dividend accounts opened after 1983 only), or

5. You do not certify your TIN when required. See the Part III instructions on page 2 for details.

Certain payees and payments are exempt from backup withholding. See the Part II instructions and the separate **Instructions for the Requester of Form W-9**.

Penalties

Failure To Furnish TIN.—If you fail to furnish your correct TIN to a requester, you are subject to a penalty of \$50 for each such failure unless your failure is due to reasonable cause and not to willful neglect.

Civil Penalty for False Information With Respect to Withholding.—If you make a false statement with no reasonable basis that results in no backup withholding, you are subject to a \$500 penalty.

Criminal Penalty for Falsifying Information.—Willfully falsifying certifications or affirmations may subject you to criminal penalties including fines and/or imprisonment.

Misuse of TINs.—If the requester discloses or uses TINs in violation of Federal law, the requester may be subject to civil and criminal penalties.